

SUMMARY TABLE 1. CBO BASELINE DEFENSE PROGRAM, FISCAL YEARS 1981-1986 (In billions of fiscal year 1982 dollars)

Forces	1981	1982	1983	1984	1985	1986
Strategic Force Costs	15.6	18.1	24.9	29.1	30.9	28.3
Other Costs	<u>174.4</u>	<u>178.0</u>	<u>177.2</u>	<u>177.4</u>	<u>175.9</u>	<u>171.1</u>
Total	190.0	196.1	202.1	206.5	206.8	199.4

new programs could improve U.S. capabilities over the next five years. Thus, the major decisions facing the Congress may involve changes to programs that are already under way, such as the highly controversial basing system for the MX land-based missile.

To augment near-term capabilities, this report considers increasing the alert status of the strategic bomber force. To hedge against delays in MX deployment, the report examines accelerating the Trident II submarine-launched missile program. To ensure effective command and control of U.S. strategic forces, it reviews a series of relatively inexpensive but critical improvements. Together, these changes could add \$4.4 billion to baseline budget authority over fiscal years 1982-1986.

NATO Programs. Given the strategic force initiatives already under way, the Congress may wish to concentrate on programs that could strengthen NATO's ability to deter or, if necessary, conduct a major war against the Warsaw Pact. Such programs could include prepositioning additional U.S. equipment in Europe to increase capability early in a war, adding as many as five Army divisions to the U.S. force structure to bolster European defenses in a longer conflict, and increasing U.S. shipbuilding to meet the demands of European as well as non-NATO contingencies. Over the next five years, these programs would add \$59.8 billion to baseline budget authority, paced by the costs of adding the Army divisions. The desirability of these additions may depend on the willingness of the NATO allies to increase their own defense budgets substantially, since the programs are assumed to be part of a coordinated NATO plan.

Non-NATO Programs. The Rapid Deployment Joint Task Force (RDF) provides the primary U.S. capability for contingencies other than a major NATO/Warsaw Pact war. Yet little budget authority has been added specifically for the RDF. The Congress may wish to improve the ability of the RDF to enter an area against enemy opposition and to fight and support itself once there. Such enhancements--including more amphibious shipping, lightweight armored vehicles, and additional support troops--could add \$9.7 billion to baseline budget authority over the next five years.

Active-Duty Manpower. The numerous pay increases enacted by the Congress for fiscal year 1981 should substantially improve retention of career personnel. While some career retention problems remain, attracting enough high-quality enlisted recruits may be the most pressing problem in the next few years. Increases in bonuses to improve recruiting, and to enhance career retention, could add as much as \$5.4 billion to baseline budget authority over the next five years. Meeting the same goals with across-the-board pay raises would cost substantially more.

Taken together, the programs discussed above could increase budget authority over the next five years by \$79.3 billion above the baseline. All these additions could be accommodated by a defense budget that grows in real terms by an average of 4 to 5 percent a year over the next five years, though growth rates in early years would be higher. The Congress may, of course, wish to add other programs that would push up budget authority even more. Nonetheless, this report suggests that a wide array of additional programs could be implemented, even if economic constraints hold real increases to about 5 percent a year.

The sections below provide more details on these programs. In particular, those programs that would improve defense capabilities in the near term (that is, within the next five years) are distinguished from those that could bolster U.S. capability only in the longer run.

STRATEGIC FORCES

Despite a lack of consensus on the overall U.S./Soviet strategic force balance, there is widespread concern about the trends in U.S. capabilities, particularly the vulnerability of U.S. land-based missiles to a Soviet first-strike attack.

In response to these concerns, the Congress has begun to fund a number of programs that, if implemented, will increase U.S. strategic capabilities substantially. These programs would improve all three legs of the strategic nuclear "triad." For the sea-based forces, the Congress has funded procurement of the Trident submarine, which will replace all Polaris submarines and eventually all Poseidon submarines, and of the Trident I missile, whose range and warhead yield exceed that of the Poseidon missile. It has also provided development funds for the Trident II missile, whose yield and accuracy would be designed to exceed those of even the Trident I.

To enhance the strategic bomber portion of the triad, the Congress has funded programs that will provide the 20-year-old B-52 bomber fleet with newly developed air-launched cruise missiles. The Congress has also provided initial research and development funds to support the introduction of a new manned strategic bomber by 1987.

Finally, in response to growing evidence of the vulnerability of the Minuteman land-based intercontinental ballistic missiles (ICBMs), the Congress has funded development of the MX missile. The MX would be larger and more accurate than the Minuteman; it is also expected to be better able to survive a Soviet first strike if deployed in a special system of multiple protective structures, a proposal that has sparked considerable controversy. The Congress has also provided funds for continued development of ballistic missile defense technologies, including a new low-altitude air defense system that could be employed in conjunction with the MX or other ICBMs.

As a result of these programs, the baseline projection of strategic budget authority rises by about 80 percent in real terms between 1981 and 1986, reaching more than \$28 billion by 1986 (see Summary Table 1).

Few Near-Term Improvements Available

While some of these programs will enhance U.S. strategic capabilities in the next five years, many will only have longer term effects. Yet at least some analysts believe that the probable strategic balance between the United States and the Soviet Union in the next few years demands more near-term improvements.

The quickest way to enhance U.S. strategic posture is to place a greater portion of strategic bombers on day-to-day alert. Raising the alert rate from 30 to 40 percent, for example, would permit as many as 480 more nuclear weapons to be added to day-to-day alert status. This would improve U.S. capability against a no-warning Soviet attack at a cost of \$0.8 billion over the next five years.

Other proposed near-term improvements are unlikely to have much effect within the next five years, however. For example, if FB-111 and F-111 fighter/bomber aircraft were modified to carry a larger number of nuclear weapons, the first squadron of aircraft could not be available until 1984 or later. Similarly, the basing of Minuteman III missiles in a multiple protective structure system akin to that proposed for the MX might not permit initial operational capability to be achieved within the next five years.

Problems with the MX May Force Changes in Longer-Term Programs

There is general agreement within the Congress about the need for longer-term strategic force modernization. Despite Congressional funding for a variety of longer-term initiatives that will enhance all three legs of the triad, a number of key issues remain. The long-run costs of the MX missile system could grow sharply, particularly if the Soviet Union responds to deployment of the MX with a major strategic buildup of its own. Long-run investment costs could reach \$60 billion or even much more, if the United States counters such a Soviet buildup by expanding the size of the MX system.

Adding to problems of possible cost growth are a variety of environmental factors that could seriously delay or even preclude deployment of the MX missile, at least in its currently proposed basing system. One solution to the problems raised by the MX might be a scaled-down basing system, coupled with an anti-ballistic missile (ABM) system to protect the missiles. (The Congress provided funding in fiscal year 1981 for continued ABM research and development.) Implementation of an ABM system in conjunction with the MX would, however, involve technical risks as well as requiring abrogation of the anti-ballistic missile treaty with the Soviet Union.

To hedge against problems with the MX, the Congress might wish to consider accelerating the Trident II submarine-based

missile program. The Trident II would be designed to have some ability to destroy hardened targets, such as missile silos, which is one important capability of the MX missile. Accelerating the Trident II program to achieve initial operating capability by mid-1988 would add \$1.4 billion to baseline budget authority in fiscal years 1982-1986.

Cost-Effective Mix of Tankers Another Longer-Run Issue

Decisions about missile systems will not be the only strategic force issue confronting the Congress. The Air Force has proposed to install more fuel-efficient engines in its current fleet of KC-135 tankers, which provide aerial refueling both for the strategic bomber fleet and for tactical aircraft. The Air Force has also proposed procurement of a new, larger tanker, designated the KC-10. The Congress may wish to review whether both systems are needed to meet future tanker requirements. Preliminary CBO findings indicate that the KC-10 is the more attractive alternative, especially if most additional tanker requirements would be to support conventional operations, such as those of the Rapid Deployment Force.

Improvements in Command, Control, and Communications Affect Both Near- and Longer-Term Capabilities

Regardless of other decisions about strategic forces, the Congress may wish to consider funding a set of relatively inexpensive, but critical, proposals for enhancing strategic command, control, and communications (C³), an area that some observers consider to be the weakest link in the U.S. strategic force posture.

Proposals for C³ improvement, which affect both near- and longer-term strategic capability, fall into two broad categories. One alternative would be to improve the capabilities of the current system to function during the course of an initial strike against the United States, which could last for as little as a few minutes or considerably longer. This option would procure warning systems to provide more timely and accurate information about an attack, and better command posts and communications links to improve control over the firing and targeting of U.S. missiles. The acquisition of such a package of systems could add \$1.5 billion to the baseline over the next five years.

A major disadvantage of this set of proposals is that they would not significantly improve system endurance. Land-based

facilities would remain vulnerable to quick destruction, and aircraft would be unable to operate for more than a few days after a nuclear attack. Yet current U.S. strategic doctrine requires some ability to endure and wage a protracted nuclear war, and endurance might also contribute to deterrence. Recognizing the advantages of endurance, the Congress could fund new systems, such as mobile ground command posts and communications systems, to enhance C³ survivability. This second approach would add \$0.6 billion to the baseline over the next five years.

Because the two approaches are complementary, the Congress may wish to support both, at a cost over the next five years of \$2.2 billion--less than 2 percent of baseline strategic spending.

GENERAL PURPOSE FORCES: NATO-RELATED ISSUES

The large number of strategic force improvements already being funded by the Congress suggests that major new funding initiatives might apply primarily to general purpose forces. These forces are sized to meet the demands of what is termed a "one and one-half war" strategy. The larger part of these forces is committed to the "full war," usually assumed to involve NATO's defense of Europe in a conflict with the Warsaw Pact. The remaining forces are required for operations in other contingencies.

The Warsaw Pact appears to have a substantial conventional force advantage over NATO. The advantage derives in part from the Pact's favorable ratio of tanks (2.7:1), armored personnel carriers for infantry (1.2:1), and artillery (2.2:1). To remedy this force imbalance and other alliance-wide deficiencies, the NATO member countries agreed in 1977 to a Long-Term Defense Program (LTDP). Under the LTDP, the allies are pledged to seek to achieve 3 percent annual real growth in their defense budgets over the five years covered by the program. A major initiative in the program attempts to enhance the United States' ability to reinforce NATO immediately after a mobilization. Future U.S. contributions to this program, which may depend critically on the willingness of the other allies to make corresponding increases, could include a number of programs discussed below.

Additional Prepositioning of Equipment Might Enhance Capability Early in a War

Under the POMCUS program, the United States prepositions equipment in Europe in order to speed the deployment of U.S.-based

Army divisions in the event of a war. The divisions remain in the United States in peacetime and have duplicate sets of equipment there for training. Four division sets of equipment are now prepositioned, and DoD had proposed that two more sets be prepositioned by 1982. CBO has found that the POMCUS program may be underfunded, however. Additional equipment is needed to prevent the further drawdown of equipment levels in the United States. Additional prepositioned war reserve stocks must also be provided, as must a logistics base for the Northern Army Group. Assuming that four division sets would be prepositioned, correcting these funding shortfalls would add \$2.9 billion to baseline costs over the next five years.

Prepositioned equipment is vulnerable to a no-warning attack, however, and would be of diminished importance in a conflict preceded by a warning period measured in weeks rather than days. One alternative would keep equipment in the United States but would purchase additional fast sealift ships, at a cost of \$4.0 billion, to transport that equipment to Europe in the event of a war. Another alternative would fund POMCUS fully and add two U.S.-based divisions to the Army at a cost of \$14.2 billion above the baseline over the next five years. Assuming accompanying force increases by the allies, this program would not only substitute for POMCUS requirements beyond four divisions, but would also allow NATO to conduct an "elastic" defense that would trade territory for time during the initial days of a conflict.

Proposals have also been discussed to prestock equipment for a Marine Amphibious Brigade in Norway and for a mechanized Marine division in Denmark. Prestocking equipment in Norway could add \$209 million to baseline costs; prestocking equipment in Denmark, \$1.5 billion. Because the Marines have other missions, however, particularly amphibious projection tasks associated with the Rapid Deployment Force, the Congress may decide that the NATO allies should provide the bulk of additional defenses required for NATO's northern region.

Other Measures Might Increase Readiness and Combat Availability

The Congress may wish to consider two other near-term programs that emphasize the readiness and availability of forces for combat. It could provide \$1.3 billion in additional funding over the next five years for spare parts for Air Force tactical aircraft. This would permit the Air Force to achieve, by 1983, its target of having 70 percent of its aircraft available to perform their primary mission. This increase is but one example of readiness improvements that may be needed throughout the services.

The Congress could also provide \$0.7 billion over the next five years to support the homeporting of a carrier in a Mediterranean port. This program would ease the strain imposed on the carrier force by worldwide deployment demands, and would ensure the availability of a carrier in the Mediterranean to respond to a Middle East crisis or to the initiation of NATO/Warsaw Pact hostilities. Homeporting could, of course, be implemented only with the approval of at least one of the NATO allies.

Enlarging Ground and Naval Forces: Key Longer-Run Issues

Many of the NATO programs mentioned above could probably be accomplished over the next five years. These programs would not, however, fully address the problems arising from NATO's shortfalls in ground and naval forces. As with the shorter-term programs, the assistance and support of the NATO allies can influence the way in which the United States might make longer-term improvements to its NATO-related forces, while meeting its other defense requirements.

Ground Forces. In the longer run, NATO could overcome its disadvantage in ground forces vis-a-vis the Warsaw Pact by adding the equivalent of eleven and one-half armored divisions to its forces. This force level increase would allow NATO to conduct a "steadfast" defense that would repulse a Warsaw Pact attack at the West German border. Based on shares of Gross National Product and other considerations, the United States would contribute about five of the eleven and one-half divisions, as well as the sealift to carry them to Europe. These five divisions would add about \$38.9 billion to baseline costs; included would be funds to recruit and pay 115,000 additional Army personnel.

NATO could, of course, opt for a more modest increase. The additional two U.S. divisions discussed above as an alternative to the POMCUS program, if accompanied by corresponding allied increases, could provide NATO with the capability to conduct an elastic defense, which would cede some ground to Pact forces initially in order to gain time to mount a counteroffensive.

Naval Forces. The NATO alliance appears to have a shortage of available surface ships required to escort convoys across the Atlantic in the event of a war with the Warsaw Pact. Current U.S. shipbuilding programs could contribute to a reduction of that shortage, but only at the expense of other ship construction necessary for sustained naval operations outside the NATO area.

While the NATO allies are unlikely to produce large warships, they could meet the NATO requirement for smaller escorts by increasing their own shipbuilding programs. Were the allies to do so, the United States could augment its own shipbuilding program so as to enhance its naval capabilities for a NATO/Warsaw Pact conflict, as well as for operations in other regions, such as the Indian Ocean. Such a program might construct carriers in addition to large fleet escorts and specialized support and replenishment ships. The cost of this program would add \$16.0 billion to the baseline in fiscal years 1982-1986.

Key Role of the NATO Allies

Since they are a part of a coordinated plan, the options discussed above depend critically upon the contributions of the NATO allies. Yet the ground and naval forces option discussed here would require fully two-thirds of the 3 percent a year in real growth that the allies are pledged to attain. Furthermore, a number of the allies have yet to meet their 3 percent commitment. If the allies were unable to sustain such a commitment, the United States would face the difficult choice between even larger NATO-related increases or a change in the relative emphasis of NATO and non-NATO requirements as the basis for defense planning.

GENERAL PURPOSE FORCES: OPERATIONS OUTSIDE THE NATO AREA

Modest Spending on Procurement Planned for the RDF

The centerpiece of DoD's program for non-NATO contingencies is the Rapid Deployment Joint Task Force (RDF), an aggregation of Marine and Army divisions, Air Force wings, carrier battle groups, and supporting mobility forces. Like programs for NATO-related forces, DoD's programs to support the RDF do not include increases in force levels. Instead, they are geared to increasing the speed with which forces can deploy to the Middle East, and include the construction of reception facilities in Oman, Somalia, Kenya, and Diego Garcia. The proposed programs are relatively modest, totaling \$2.7 billion over the five-year period 1982-1986, and cannot be completed before the end of the decade.

Need for Increased Firepower and Support Depends on RDF's Opponent

Increments to the baseline could provide additional support forces for the RDF. Such increases would depend upon whom the

force is intended to oppose. It could be intended to support a friendly regime in the Middle East against external regional threats or internal dissension. With such "collective security" as an objective, the United States would provide only a part of the troops and materiel needed to defend an ally, but would require the ability to demonstrate quickly its commitment to that ally. Currently planned forces could probably accomplish this task. On the other hand, were the United States to act unilaterally, particularly against the Soviet Union, and to do so without drawing down units dedicated to European operations, as many as 60,000 to 70,000 additional support forces might be needed for the RDF. Adding these support forces to the current structure would call for an additional \$7.3 billion in funding over the current baseline.

The RDF is also likely to require additional firepower for Middle Eastern contingencies. One way to augment ground force firepower, while minimizing the penalty that the transport of heavy equipment imposes on rapid mobility, would be for the Marine Corps to acquire lightweight armored vehicles, which could be moved by all active airlift transports. In contrast, the Army's main battle tank, the XM-1, can be carried only by the C-5, the world's largest transport aircraft. Research and development on lightweight armored vehicles could be accelerated to permit the introduction of these systems by 1984. In the meantime, the Marine Corps might acquire foreign-built vehicles. A lightweight armored vehicle program in fiscal years 1982-1986 would add \$0.4 billion to baseline costs.

Additional Mobility Improvements Might Enhance Entry Against Enemy Opposition

Longer-term development and procurement programs focus on mobility improvements for the RDF. The baseline includes acquisition of maritime prepositioning ships, but not of the CX transport aircraft, a program not yet approved by the Congress but under consideration by the Department of Defense.

While implementation of both these programs would indeed enhance the speed with which the RDF could deploy to the Middle East--or elsewhere--neither would improve its ability to enter a region forcibly. One way to do so would be to deploy a Marine Amphibious Brigade full time in the Indian Ocean. The current amphibious lift force could support such a deployment only if most other Marine forward deployments were terminated, however. An

amphibious lift augmentation program, which would procure more dock landing ships and helicopter carriers, could sustain these current deployments, while also allowing the United States to land Marines against enemy opposition with less than a week's warning. Augmenting amphibious lift would add \$2.0 billion to baseline spending in 1982-1986, but could only be implemented over the better part of a decade.

ACTIVE-DUTY MILITARY MANPOWER

Equipment alone cannot guarantee defense capability; the military must also be able to attract and retain adequate numbers of personnel with appropriate backgrounds and skills. Manpower costs are key to the overall level of defense spending. Pay, allowances, and benefits for the nearly 4 million active-duty, reserve, and civilian personnel in the military services will consume about half of all defense outlays in fiscal year 1981.

Pay Increases Granted to Improve Recruiting and Retention

In recent years, the services have had difficulty recruiting and retaining personnel, particularly enlisted personnel, for duty with the active forces. Problems have centered on recruiting sufficient numbers of enlisted personnel who have high school diplomas and who score high on military entrance examinations, and on retaining experienced personnel in technical and specialized skills. Recruiting problems have been most severe in the Army; those of retention, in the Navy.

In response to these problems, the Congress in fiscal year 1981 enacted numerous increases in pay and benefits for active-duty personnel. At the same time, it required that the services raise enlisted recruit quality by accepting more high school graduates and fewer persons scoring low on entrance examinations.

Retention Will Improve, But Recruiting Problems May Persist

Most of the pay increases enacted in fiscal year 1981 were targeted at careerists, and CBO estimates that the number of careerists in each service will increase in fiscal years 1982-1986. Indeed, all services, except the Navy, will meet their career-manning objectives by 1982; the Navy will fall short of its objective in each of the next five years, but only by a small amount in 1986. Nevertheless, while overall numbers of career

personnel are likely to increase, some specialties may still suffer from shortages.

The outlook for recruitment is less favorable than that for career retention. In 1982, if the services meet their numerical goals for recruits, the percentage of male recruits holding high school diplomas will approach or meet levels experienced in recent years. The Army is not likely in 1982, however, to meet the target of 65 percent graduates set by the Congress for fiscal year 1981. Moreover, percentages of recruits who are graduates will decline in all the services in the years beyond 1982. This decline is due largely to test-score objectives set by the Congress and to expected declines in the youth population during the 1980s. Force level increases, such as those discussed above for ground forces, could increase demand for recruits and exacerbate current recruiting difficulties. Recruiting problems may, therefore, be the most pressing of the manpower issues facing the Congress.

Costs of Meeting Recruiting and Retention Goals Depend on Approach

These trends suggest the need for increases in compensation to solve recruiting problems and continue improvements in career retention. One approach would maintain pay raises that keep pace with increases in the private sector, and would provide increased cash bonuses targeted at recruits and careerists in short supply. The increase in bonuses would be sufficient to continue improvements in retention. The increase would also enable the services to meet their numerical recruiting goals, while still complying with the test-score objectives set by the Congress and maintaining the proportion of high school graduates at the average level of the last three years. This option would require \$3.6 billion in additional budget authority over fiscal years 1982-1986. The cost could rise to \$5.4 billion if, instead of using the average over the last three years, the Army sought to achieve the target of 65 percent high school graduates required by the Congress for fiscal year 1981.

On the other hand, added costs might be three or more times higher if across-the-board pay raises were used, rather than targeted bonuses. Similar results would apply to broad-based military education benefits. A package of education benefits sufficient in size to meet recruiting goals, but also available in equal amounts to all personnel, would be substantially more expensive than a program limited to skill areas in which recruits are in short supply.

CONCLUSIONS

The Congress, in enacting the fiscal year 1981 defense budget, approved a series of programs that should lead to real growth in defense budget authority through 1985. Nevertheless, the Congress may wish to consider adding other programs not included in CBO's defense baseline. This report addresses a selection of these programs (see Summary Table 2).

A number of the programs considered in this report might be viewed as alternatives to one another. Nonetheless, all of them could be funded by a defense budget that grows at an average real rate of between 4 percent and 5 percent a year over the next five years, though growth rates in early years would be higher. This range falls within the target of 5 percent annual real growth that the Carter Administration proposed in its defense program for fiscal years 1982-1986.

The bulk of the improvements discussed in this report relate to general purpose forces. Choices relating to these initiatives are likely to center on the timetable for improving defense capabilities, and the preferred emphasis that might be placed on NATO- versus non-NATO-related programs.

SUMMARY TABLE 2. CHANGES TO THE BASELINE: COSTS OF EXAMPLES DISCUSSED IN THIS STUDY, FISCAL YEAR 1982 AND TOTAL FOR FISCAL YEARS 1982-1986 (In billions of fiscal year 1982 dollars)

Programs	1982	Total 1982-1986
Strategic Forces		
Near-term programs		
Increase B-52 alert rates	0.1	0.8
Longer-term programs		
Accelerate Trident II development	0.8	1.4
Other programs		
Enhance strategic C ³ <u>a/</u>	0.7	2.2
General Purpose Forces: NATO		
Near-term programs		
Add POMCUS-related funding	0.8	2.9
Homeport a carrier in the Mediterranean	0.3	0.7
Add funding for Air Force spare parts	0.3	1.3
Longer-term programs		
Add five fully supported armored divisions	7.5	38.9
Augment shipbuilding programs, including three aircraft carriers	4.2	16.0
General Purpose Forces: Rapid Deployment Force (RDF)		
Near-term programs		
Add 68,000 support troops	1.2	7.3
Procure lightweight armored vehicles	0.1	0.4
Longer-term programs		
Procure additional amphibious shipping	0.0	2.0
Manpower		
Targeted enlistment and reenlistment bonuses	0.5	5.4
Total Near-Term	2.8	13.4
Total Longer-Term	12.5	58.3
Total Other	1.2	7.6
Total All Programs	16.5	79.3

a/ As Chapter III indicates, command, control, and communications (C³) have both near- and longer-term applications and, hence, are listed as "other programs."

Recent Congressional debates over the size and disposition of the defense budget have differed markedly from those of the mid-1970s. Prompting this shift in approach were the sustained buildup and modernization of Soviet forces over the past decade, and the perception that the United States has suffered a series of reverses in various parts of the world.

In the immediate post-Vietnam years, Congressional deliberations often centered on efforts to reduce defense spending below the levels requested by the President's budget. In contrast, current Congressional concerns about the capability, readiness, and quality of U.S. forces have raised quite different questions: By how much should defense budgets increase, and how should those increases be allocated?

This new perspective on defense spending is reflected in recent actions by both the Administration and the Congress. President Carter's final Defense Department budget for fiscal year 1981 requested almost 7 percent real growth in new budget authority, substantially exceeding the 3 percent real growth target agreed upon by the United States and its NATO allies in May 1977. President Carter's fiscal year 1982 budget submission requests 4.2 percent real growth over 1981, ^{1/} and some advisers to President Reagan have called for even larger increases.

The Congress has also demonstrated its desire for higher levels of defense spending. The defense budget authority target set by the second concurrent resolution for fiscal year 1981, as approved in November 1980, implied more than 8 percent real growth over the fiscal year 1980 level.

KEY CONCERNS IN THE DEFENSE BUDGET DEBATE

Four concerns have been particularly prominent in the current defense budget debate.

^{1/} This figure uses the latest CBO inflation deflators. The deflators submitted by President Carter on January 15, 1981, yield a figure of 5.5 percent.

First, what can be done to improve U.S. strategic nuclear capabilities in the next few years? Reflecting concern over the U.S./Soviet strategic force balance, the Congress has approved a number of strategic force modernization programs requested by President Carter, and added at least one initiative of its own: development of a new bomber. Most of these programs, however, will not enhance capabilities until the late 1980s. For this reason, some have called for "quick fixes" to improve strategic capabilities in the near term. 2/

Second, are near-term improvements in conventional (or general purpose) forces, especially to enhance readiness, also needed? Some defense analysts have called for near-term additions to the stock of equipment held by conventional forces. 3/ Others contend that improving the readiness of existing equipment stocks is a more urgent priority.

Third, should conventional force improvements be directed primarily toward the European theater, or should non-NATO requirements be given higher priority? Some observers believe that improvements directed primarily toward the European theater may have hampered U.S. ability to conduct military operations in Third World regions. These observers contend that the interests of the United States, and indeed of Western Europe, may be more vulnerable outside the NATO area than within it, particularly in the next few years. If this view is accepted, it could change the relative priorities of existing programs.

Fourth, will the United States succeed in maintaining a high-quality all-volunteer force? The Congress enacted a package of compensation increases for fiscal year 1981 designed to improve recruitment and retention of personnel and to increase the quality

2/ See, for example, William R. Van Cleave, "Quick Fixes to U.S. Strategic Nuclear Forces," in W. Scott Thompson, ed., National Security in the 1980s (San Francisco: Institute for Contemporary Studies, 1980).

3/ The Institute of American Relations, Independence Through Military Strength: A Program for Forces to Preserve and Extend American Freedom, 1980-85 (Washington, D.C., February 1980). This study was produced by approximately 30 Senate and House staff members working primarily in areas involving national security and foreign policy.

of military manpower. Some are concerned that these measures may not be sufficient to achieve those goals and that additional compensation increases may be needed, particularly if the force structure were expanded beyond current levels.

THE COSTS OF RESOLVING THESE KEY CONCERNS

This report reviews a selected group of issues in order to illustrate how different approaches to resolving these four concerns would affect defense budgets over the five-year period fiscal years 1982-1986. These issues are drawn from recent CBO studies and analyses prepared at the request of the Congress. While the issues examined account for a significant portion of defense spending, they by no means exhaust all the programs that the Congress will need to address.

The paper discusses the programs chosen for review in light of their contribution to near-term (fiscal years 1982-1986) or, alternatively, longer-term enhancement of the U.S. defense posture. This distinction underlies many of the questions discussed above. Where appropriate, the paper also discusses these programs as they relate primarily to NATO or to extra-NATO concerns, another key consideration. Finally, the paper estimates how the near-term or longer-term enhancement packages--or both--would affect CBO's "baseline" projection of defense spending for fiscal years 1982-1986.

Because of its importance to the costing methodology used in this paper, the CBO baseline is described in detail in Chapter II. Chapters III through VI examine the budgetary implications of an illustrative group of defense programs and alternatives to them, highlighting both their near-term and longer-term implications:

- o Chapter III outlines program issues related to strategic nuclear forces;
- o Chapters IV and V address general purpose force issues related to NATO and non-NATO missions, respectively; and
- o Chapter VI discusses manpower program issues.

Finally, Chapter VII draws together the conclusions of the preceding chapters, assessing the impact on the baseline of emphasis on near-term, longer-term, or both near- and longer-term programs. The chapter also discusses how baseline spending,

augmented by the alternatives considered in this paper, compares to spending levels set by the Second Concurrent Resolution on the Budget for Fiscal Year 1981, and by the five-year program submitted to the Congress by the Department of Defense in support of its fiscal year 1982 budget request.

CHAPTER II. MEASURING TRENDS IN U.S. DEFENSE BUDGETS AND FORCES

Future decisions about U.S. defense budgets may be influenced by trends in defense budgets and forces over the last several decades. Thus, this chapter begins with a brief history of those developments. (Additional historical detail is provided in Appendix A.)

Future decisions will certainly build upon programs already funded by the Congress. The CBO baseline, which estimates the costs of these programs over the next five years, is the subject of the last half of the chapter.

TRENDS IN DEFENSE BUDGETS AND FORCES, 1955-1980

Budgets

Measured in constant fiscal year 1982 dollars, new budget authority for defense followed a generally rising trend in the 1950s and 1960s, peaking during the Vietnam War period (see Figure 1). New budget authority then declined sharply in real terms until 1975, after which it began to increase modestly. Budget authority continued to rise through the remainder of the decade, and today approximates the level of the early 1960s.

Throughout the period 1955-1970, defense spending as a percentage of the Gross National Product (GNP) fluctuated within a relatively narrow band, typically ranging from 8 to 10 percent of GNP. With the cutback after the Vietnam War, however, defense spending fell quickly to about 5 percent of GNP (see Figure 2). With the increases of the last several years, defense spending as a percentage of GNP has begun to rise.

Forces

The components of U.S. strategic nuclear forces have followed divergent trends. As ballistic missile forces increased in the 1960s, the number of active strategic bomber and air defense aircraft was reduced (see Table 1).

Figure 1.
Budget Authority for National Defense (Function 050), 1955-1981

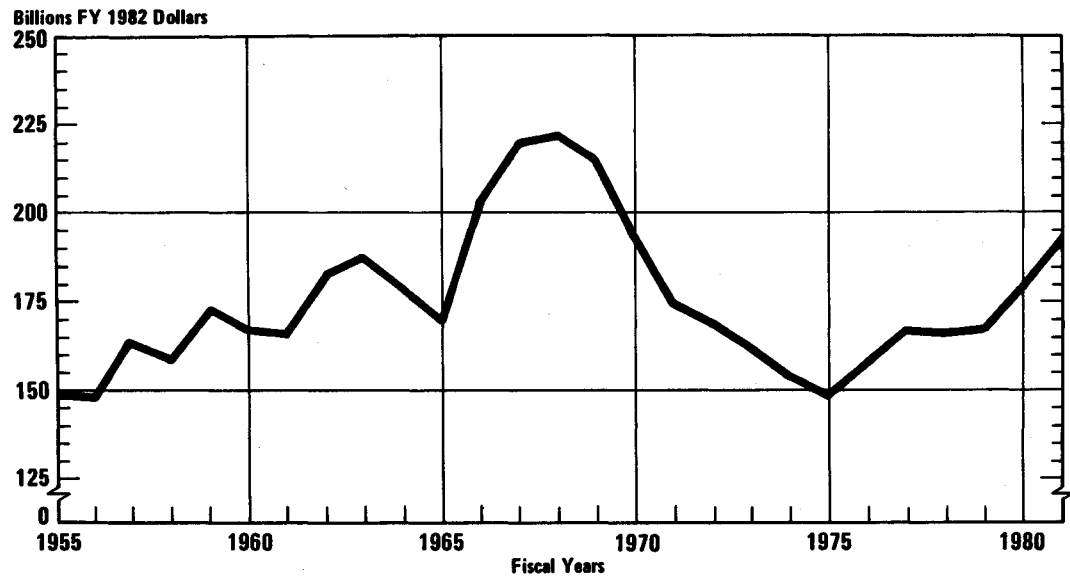


Figure 2.
Outlays for National Defense (Function 050) as a Percent of GNP, 1955-1981

